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# news from Korn/Ferry International

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## Executive Job Market Improves From First Quarter to Second But Overall Demand Remains Eight Percent Less Than Last Year

### Senior Executive Hiring In Financial Services Shows New Strength

NEW YORK, August 1, 1991 -- There are strong signs that the recession in senior executive jobs is easing, according to the 78th *National Index of Executive Vacancies*, a quarterly report released today by Korn/Ferry International. While second quarter demand remains eight percent lower than last year, it is, nevertheless six percent higher than the first quarter of this year. More importantly, overall demand became more vigorous as the second quarter progressed.

"Economic forecasters were correct in predicting a soft landing to last year's recession. We are now in the midst of a soft recovery," said Richard M. Ferry, President of Korn/Ferry International. "The good news is that the recovery is firming up. The bad news is that, from a human resources perspective, much of corporate America is not ready for it."

"Consumer spending is up, profit margins in many industries have risen and the trade deficit has dropped despite the comeback of the dollar. Nevertheless, many firms are ill-equipped to seize the moment because they overreacted to last year's recession by cutting middle and senior management to the bone. Skeletal organizations have undeniable economies, but they often lack the flexibility and depth to capitalize on fast-breaking opportunities," Ferry observed.

**Room At The Top**

The demand for CEOs and outside directors remains high. CEOs now account for 18 percent of overall senior executive demand, up from 15 percent a year ago. Board positions constitute four percent of all U.S. searches, double their proportionate share of demand in the second quarter of 1990.

"Heightened demand often bids up personnel costs. This is no less true in corporate boardrooms than it is anywhere else," said Ferry. "A recent Korn/Ferry *Board of Directors Study*, revealed that directors' earnings have far outpaced inflation and recently some CEO compensation packages have made the headlines. But, since a few key decisions often mean the difference between black ink and red, corporate America prefers to pay for a track record rather than risk putting the companies' reins into untested hands."

**Industry Hiring Picture**

The big news this quarter is that the hiring of financial services executives has dramatically rebounded from only 14 percent last year to the current 23 percent of the vacancies by industry, thereby reclaiming a major portion of the industry's historic share of overall executive demand. Brokerage firms have benefitted from a bull market, underwriting activity is on the upswing and investment banking houses are increasing their business.

The insurance industry presents a mixed picture. Rising personal property premiums and the growing demand for annuities have helped some insurers, while commercial property carriers are caught between mounting losses and an inability to raise premiums. Turnaround specialists remain in high demand with many financial services firms. Most expansion plans remain on hold, but replacement hiring has regained its strength.

Real estate remains in the doldrums and industry hiring continues to reflect that fact. The industry accounts for only two percent of total executive demand, down from

five percent the year before. Virtually all major markets are overbuilt and absorption of existing vacancies is slow. Asset managers, workout specialists and skilled marketing executives are being sought, while project planners and construction managers have seen the market for their skills all but disappear.

The health care industry has proven itself to be not only recession-proof, but robust in its hiring needs. Health care executive hiring more than doubled from eight percent of overall demand in the second quarter of last year to 18 percent in 1991. Demand for executives in the transportation, utilities and communication sectors are now at seven percent of overall demand, down from 13 percent last year. Technology firms, particularly those with defense contracts, are anticipating government cutbacks and have dramatically reduced their demand from 12 percent last year to seven percent by the second quarter of this year.

**The Regional Picture**

The Midwest and Southeast made gains in their proportionate share of the nation's executive demand. The Midwest went from 14 percent last year to 17 percent of overall regional demand. The Southeast was the biggest gainer jumping from nine percent in 1990 to 14 percent of U.S. executive vacancies. Western states, however, saw their share of executive demand drop from 34 percent to 28 percent. The East's share of demand remained the largest at 33 percent.

**750 Companies Surveyed**

The *National Index of Executive Vacancies* is based on a quarterly survey of 750 Korn/Ferry clients, which are among the nation's largest corporations and non-profit organizations, including government agencies, universities and cultural institutions. The Index records the hiring of senior executives earning $100,000 or more annually.

**Korn/Ferry International**

Headquartered in New York and Los Angeles, Korn/Ferry International specializes in management searches at the senior level. The firm maintains 41 offices in key business centers throughout North America, Latin America, Europe, Asia/Pacific and Australia.

## NATIONAL INDEX OF EXECUTIVE VACANCIES BY INDUSTRY

| Industry | First Quarter 1991 | Second Quarter 1991 | Second Quarter 1990 |
|---|---|---|---|
| Agriculture/Natural Resources/Energy | 4% | 3% | 3% |
| Chemical & Related Products | 5% | 6% | 4% |
| Technology (Electronics, Computers, Software, Defense, Telecommunications) | 11% | 7% | 12% |
| Machinery, Manufactured Products | 9% | 9% | 12% |
| Consumer Products (not elsewhere classified) | 6% | 7% | 6% |
| Transportation, Utilities, Communications | 8% | 7% | 13% |
| Wholesale & Retail Distribution | 4% | 3% | 5% |
| Financial Services (Banking, Brokerage, Insurance) | 15% | 23% | 14% |
| Real Estate, Building, Construction | 2% | 2% | 5% |
| Health Care | 13% | 18% | 8% |
| Not-for-profit, Government, Associations, Education | 13% | 8% | 10% |
| Hospitality/Leisure, Entertainment | 6% | 3% | 5% |
| Miscellaneous Professional Services | 4% | 4% | 3% |
| TOTAL | 100% | 100% | 100% |

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## NATIONAL INDEX OF EXECUTIVE VACANCIES BY FUNCTION

| Function | First Quarter 1991 | Second Quarter 1991 | Second Quarter 1990 |
|---|---|---|---|
| Board Level | 2% | 4% | 2% |
| Chief Executive Officer | 23% | 18% | 15% |
| General Management | 34% | 36% | 40% |
| Finance & Control | 12% | 10% | 12% |
| Human Resources & Administration | 6% | 9% | 6% |
| Information Systems | 2% | 3% | 2% |
| Manufacturing, Engineering, R & D, Technology | 6% | 7% | 8% |
| Marketing & Sales, Advertising & Public Relations | 15% | 13% | 15% |
| TOTAL | 100% | 100% | 100% |

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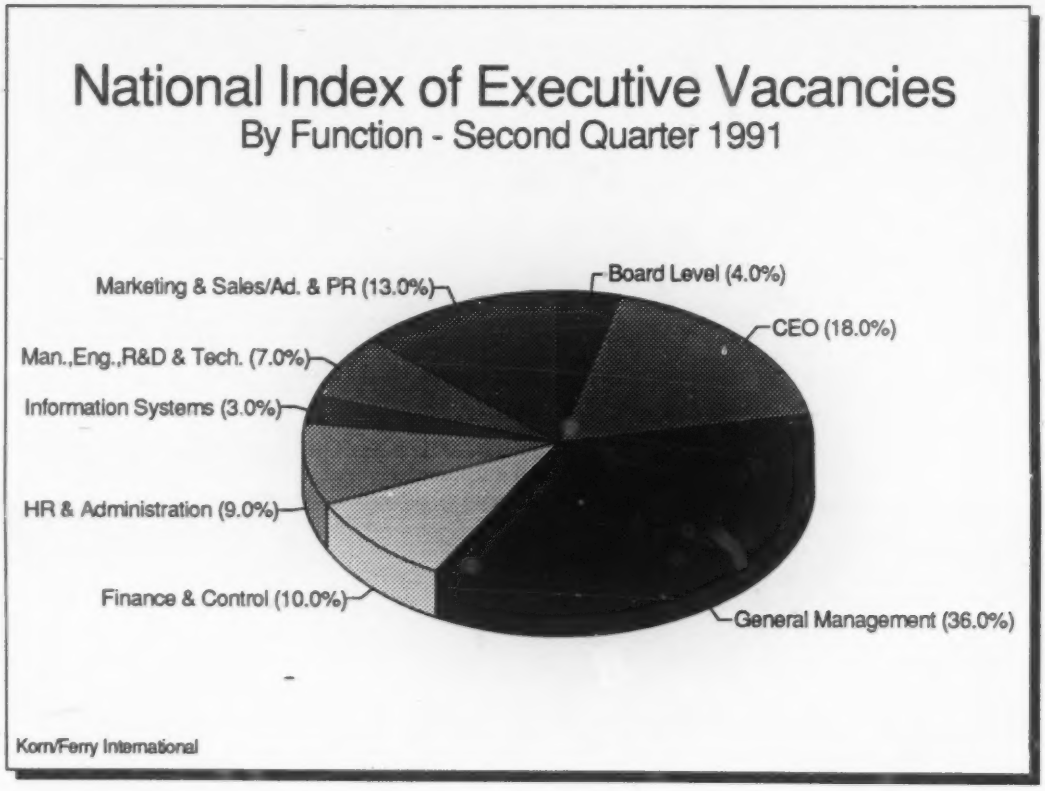

## NATIONAL INDEX OF EXECUTIVE VACANCIES BY REGION

| Region | First Quarter 1991 | Second Quarter 1991 | Second Quarter 1990 |
|---|---|---|---|
| East | 33% | 33% | 34% |
| West | 28% | 28% | 34% |
| Midwest | 14% | 17% | 14% |
| Southeast | 14% | 14% | 9% |
| Southwest | 11% | 8% | 9% |
| TOTAL | 100% | 100% | 100% |

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